Directorate of Intelligence

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Smuggling Colombian Marijuana: A High-Profit Venture [redacted]

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An Intelligence Assessment

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September 1982

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An Intelligence Assessment

This paper has been prepared by [redacted] 25X1
International Security Issues Division, Office of Global Issues. Comments and queries are welcome and may be addressed to the Chief, Strategic Narcotics Branch, OGI, [redacted] 25X1

This paper has been coordinated by the Directorate of Operations and the National Intelligence Council.
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Key Judgments

Information available as of 1 September 1982 was used in this report.

Colombia now supplies three-fourths of the marijuana consumed annually in the United States, most of which is handled by large, well-organized exporting and importing trafficking organizations. Profits garnered by the Colombian exporters and US importers are enormous. For instance, we estimate that an average 20-ton shipment, worth almost $200,000 to the grower, brings more than $9 million—and a profit of almost $6 million—to the importer in the United States.

Because the financial exposure of the traffickers is so limited, we believe that the major ones would not be hurt financially unless at least 70 percent of all shipments were seized and destroyed. This implies an interdiction rate four to five times higher than that presently achieved by the US Coast Guard and other authorities. Even then, the likely rise in the street price for marijuana and the resultant lure of easy profits would prompt trafficking organizations to select alternate routes and continue smuggling.

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Introduction

According to the National Narcotics Intelligence Consumers Committee (NNICC), more than 90 percent of the marijuana consumed yearly in the United States is imported. Most of it—7,700 to 11,300 tons[1]—comes from Colombia, which began to dominate the trade in the mid-1970s when the use of paraquat to eradicate marijuana crops reduced Mexican supplies. According to surveys by the US Drug Enforcement Administration (DEA), users also came to prefer the better manicured and reputedly more potent Colombian marijuana. The complicated logistics of smuggling Colombian marijuana, which calls for massive quantities to be hauled over long distances and for large amounts of capital, attracted a new class of smuggling organizations structured along corporate lines. [redacted]

Beginning with Operation Stopgap[2] in late 1977, the US Government has made several concentrated efforts to interdict marijuana shipments to reduce supplies and to raise the cost of smuggling to prohibitive levels. Although large shipments have been seized routinely in the past five years, Colombian marijuana continues to be plentiful in the United States. Moreover, the US street price—a barometer of the success of interdiction efforts—has not risen, and traffickers continue to profit (figure 1). This paper examines the movement of marijuana from the field to the US wholesaler, outlines the profitability of the trade, and discusses the interdiction effort necessary to affect the availability of Colombian marijuana in the US market. [redacted]

[1] Tons reported in this paper are short tons equal to 2,000 pounds. [redacted]

[2] Operation Stopgap, conducted from December 1977 to February 1978, involved the Department of State, DEA, the US Coast Guard, US Customs, US Immigration and Naturalization Service, and foreign governments in a marijuana interdiction campaign. Through aerial surveillance, DEA located vessels loading marijuana on Colombia's north coast and passed their identities to the Coast Guard. Thirty-three of these ships with 450 tons of marijuana were intercepted by the Coast Guard at choke points and other locations in the Caribbean and Bahamas. [redacted]

[redacted]

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The Marketing Chain

Colombian marijuana passes through several transactions before it is retailed by the ounce in markets throughout the United States. Most of it is grown in remote, steep mountain valleys of the Sierra Nevada de Santa Marta in northeast Colombia (figures 7 and 2), often by independent cultivators. Marijuana plots are relatively small (usually less than one hectare) and are occasionally found alongside fields with legitimate crops. After growing, harvesting, and drying their crops, cultivators sell them by the pound to brokers or to representatives of the principal exporting organizations. DEA reporting indicates that marijuana is also

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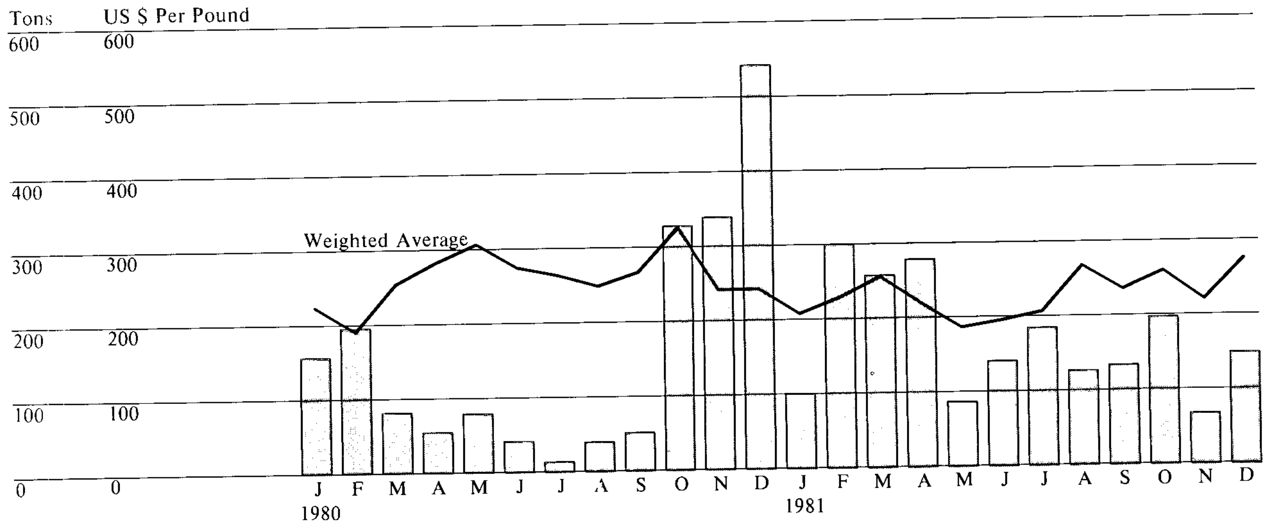
Figure 1
Seizures of Seaborne Marijuana Destined for Southeastern United States, 1980-81
(Includes Average Monthly Prices in Florida)



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grown on plantations owned by major traffickers. In addition, some growers raise marijuana under contract with trafficking organizations, and still others use land rented from large landowners. [redacted] 25X1

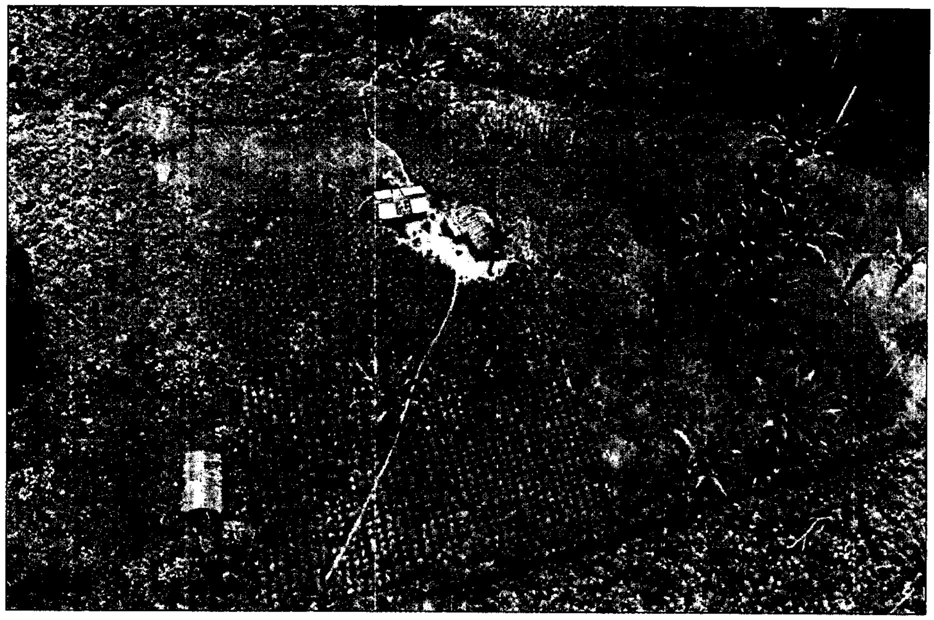
For producers not directly associated with exporters, brokers are a vital link in the marketing chain. They buy marijuana from independent growers and deliver relatively large quantities—ranging from a few hundred to several thousand pounds—to buyers representing the major Colombian trafficking organizations. Some deliveries are made in the mountains, but occasionally brokers will smuggle their stocks to coastal loading sites on the Guajira Peninsula. The largest and most important Colombian exporters are found in the north coast cities of Cartagena, Barranquilla, Santa Marta, and Riohacha. Many have representatives in the United States through whom they negotiate large smuggling agreements with US importers and wholesalers. [redacted] 25X1

Multiton loads are most often shipped by boats and planes to the Atlantic and Gulf coast regions of the United States. When contact boats slip into shore or aircraft touchdown in the southeastern United States, their marijuana cargoes are quickly unloaded and taken to nearby storage sites or sent to regional markets. Tractor trailer trucks and recreational vehicles are often used to haul hundreds and thousands of pounds to wholesalers in urban markets throughout the country. There, chains of distributors break the shipments down into smaller lots until they are eventually sold by the ounce or cigarette. [redacted] 25X1

Costs and Profits

From the field to the streets of the United States, Colombian marijuana increases in value from approximately $4 per pound to about $680 per pound (table). The largest markups are made by the exporters and importers who manage the most sophisticated phases of the trafficking and take the largest risks. Their lucrative financial arrangements go a long way toward ensuring their survivability, even in the face of high rates of interdiction. [redacted] 25X1

Figure 2. Marijuana field, Sierra Nevada de Santa Marta Mountains 25X1



Colombian Marijuana Price Chain, 1980-81 [a] *US $ per pound*

Link	Range	Mean	Median
Farmgate	2-8.20	4.25	3.80
Colombian middleman	9-26	16	14
Exporter	12.50-150	68	63
Importer	130-275	233	225
US wholesaler	230-365	281	275
US distributor	300-500	380	370
US retailer [b]	430-990	680	640

[a] Based on prices reported in DEA investigative files, domestic and foreign media, and US Embassy reports.
[b] Income equivalent to 16 one-ounce sales.

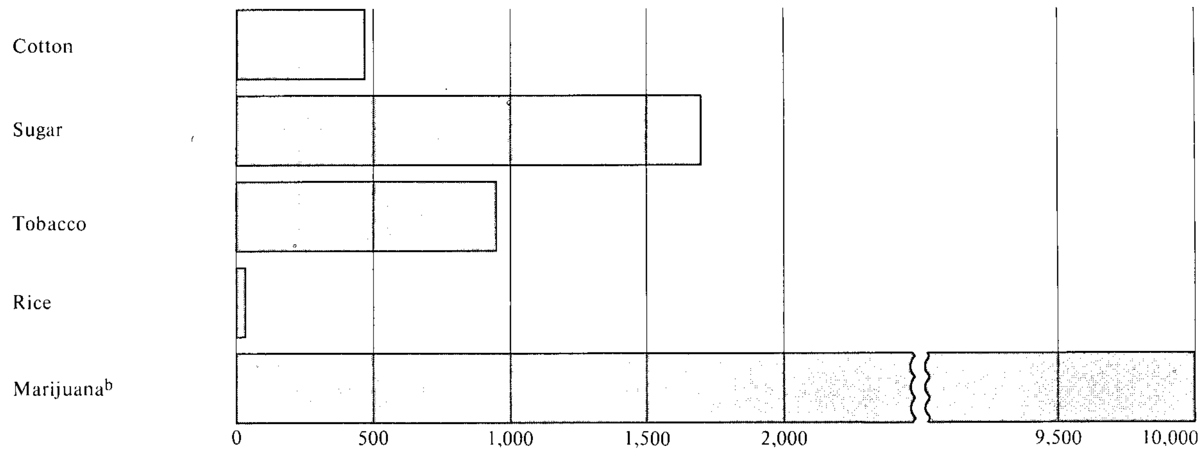
Growers

Despite the volume of Colombian marijuana traded, reliable data on farmgate prices are sparse. What is available, however, is fairly consistent and shows that marijuana provides far better returns than any alternative employment in the area and allows growers' incomes to well exceed Colombia's average GNP per capita of $1,100. Independent growers, who take the greatest risk since they may not always find buyers, receive a price determined, more than likely, through the bargaining process. If they plant only a half hectare, grow two crops per year, and sell at the lower end of the price range, they can expect marijuana earnings to range from $4,000 to $5,000 annually. Those growers who rent plots from large landowners make much higher incomes. According to a DEA source, rent is approximately $600 per hectare while yields, with double cropping, can amount to 1,600 to 5,000 pounds of marijuana (figure 3). This, he said, would be sold for $2.50 to $7.50 per pound, for a net annual income of about $16,000 per hectare. 25X1

Brokers

Brokers bring together small growers and high-volume exporters, an important but poorly documented role in the Colombian marijuana trade. According to 25X1 a DEA informant, brokers aspire to a 70-percent profit after costs. They buy marijuana from independent growers at $3 to $5 per pound and deliver it to exporters, charging $9 to $26 per pound. The fees charged by brokers vary with their costs and risks. Thus, prices are lowest when exporters take delivery of the marijuana in the mountains and highest when

Figure 3
Income Per Hectare[a] by Export Crop, 1980



[a] Calculated from statistics supplied to the World Bank by the Ministerio de Agriculture, Commerico Exterior de Colombia.
[b] Assumes yield of approximately 5,000 pounds per hectare (double cropping) sold at a minimum price of $2 per pound. Because most individual plots appear to be about 1/2 hectare, the annual income for independent marijuana cultivators is about $5,000.

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brokers assume greater risk and deliver the marijuana to the coast. According to a 1978 DEA report, when brokers are required to transport the marijuana long distances, it is packed into 100-pound sacks and loaded on mules rented locally at $25 to $35 per sack carried. Under cover of darkness and protected by guards, the mule train moves the marijuana from the remote mountain areas to collection sites near roads where it is transferred to representatives of the exporting organizations. [redacted]

Exporters

While farmers and brokers profit handsomely, the large exporting organizations reap the greatest gains from the marijuana trade. Their income from a successful operation is generally three to seven times greater than the costs of putting it together. That is, on a 20-ton shipment of marijuana, the exporter will probably earn nearly $2 million in profit on a less than $900,000 outlay for the marijuana and other expenses. The degree of profit and the price charged the US buyer depend on several factors: the extent to which the Colombian organization is vertically integrated, the quantities involved, the method of smuggling, the terms of credit, and the relationship and trust between exporters and importers. Frequently, the price includes the cost of bribes to Colombian police and military for protecting or overseeing the operation. [redacted] 25X1

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Preparing for Export. After purchasing the marijuana, Colombian traffickers incur additional expenses in preparing it for export. Drivers are hired and trucks or mules are rented to transport the marijuana from the initial collection points in the mountains to sites managed by the principal traffickers near the coast or to clandestine airstrips in the interior (figure 4). Guards accompany the caravans and protect these sites. We know little about the wages paid to the guards and transporters, but, according to one DEA source, trucks rent for from $600 to $1,200 each. Several trucks are required to bring loads up to 20 tons out of the mountains. Hauling a similar shipment by pack train may require 200 mules and a contingent

Smuggling Methods

Most Colombian marijuana is smuggled by sea. The largest, most expensive, and most profitable method employs so-called mother ships. Mother ships, typically a mixed lot of fishing vessels and small coastal freighters, deliver their loads from Colombia's north coast to predetermined locations in international waters in the Bahamas, the Gulf of Mexico, or along the US south Atlantic coast. Voyages take six to 14 days one way. Seizure data and DEA reports show that the mother ships commonly carry about 20 tons of marijuana, although shipments range from 5 to 50 tons or more. Mother ships usually are under the command and control of Colombian marijuana exporters and are crewed by eight to 12 men, occasionally including US citizens.

The mother ships are met by lighters, which are usually operated by Americans on behalf of the importer. Nearly any type of craft can serve as a lighter, but shrimp boats from South Atlantic and Gulf ports are frequently used as are sailboats, yachts, and sleek, high-speed boats. Depending on their size and capacity, these vessels typically carry crews of two to five men. In recent years, as investigations and seizures have increased, Colombian exporters have relied increasingly on distant-rendezvous locations such as Chubb Cay in the Bahamas, Alacran Reefs in the Gulf of Mexico, and the Misteriosa Banks in the Caribbean Sea. In 1981 DEA sources reported that mother ships in the Gulf of Mexico probably did not approach closer than the 200-mile territorial limit off the US shore. After pickup, lighters deliver the marijuana to the coastal offload sites in the United States or frequently in the Bahamas or other Caribbean islands for temporary storage before being ferried by boat or aircraft to the US mainland.

While most Colombian marijuana is smuggled by boat, aircraft are also commonly employed. Some major trafficking organizations have used aircraft exclusively, while others have switched between boats and planes depending on how they perceived the risks. Air operations have advantages: smugglers have direct control of their shipments from the time they leave Colombia; deliveries are quick and generally to a single location, personnel requirements are smaller thereby enhancing security and reducing costs, and coordination problems are minimized and entire shipments can be delivered directly to the retail market.

Small twin-engined aircraft, some of which carry 4,000-pound payloads, are used extensively in the Colombian trade. However, undercover investigations and seizures show that larger twin-engined and four-engined aircraft have been used to fly marijuana loads of up to 12 to 13 tons deep into the United States.

[redacted] 25X1

of 60 to 80 guards. According to DEA informants, as many as 15 guards may be used to protect stockpiles of 50 to 75 tons. Some 20 to 80 people would then be needed to bring the marijuana for a 20-ton shipment from the stockpiles to the beach, load it onto canoes, and move it to a mother ship waiting offshore (figure 5). Depending on their roles, these laborers reportedly are paid $50 to $375 per operation. Rents for canoes range between $200 and $400; one DEA case recorded that larger transfer vessels were being rented for $4,500 apiece. [redacted] 25X1

Shipping. Exporters also bear the costs for the mother ships and their crews. Although they have large capacities and make long voyages, many mother ships are barely seaworthy; their dilapidated condition is often the key that attracts the attention of US Coast Guard patrols. Because of the relatively high risks of smuggling, traffickers have opted to use relatively cheap boats that can be discarded or forfeited without incurring substantial capital loss. According to the

Figure 4. Stash site, Guajira Peninsula [redacted]

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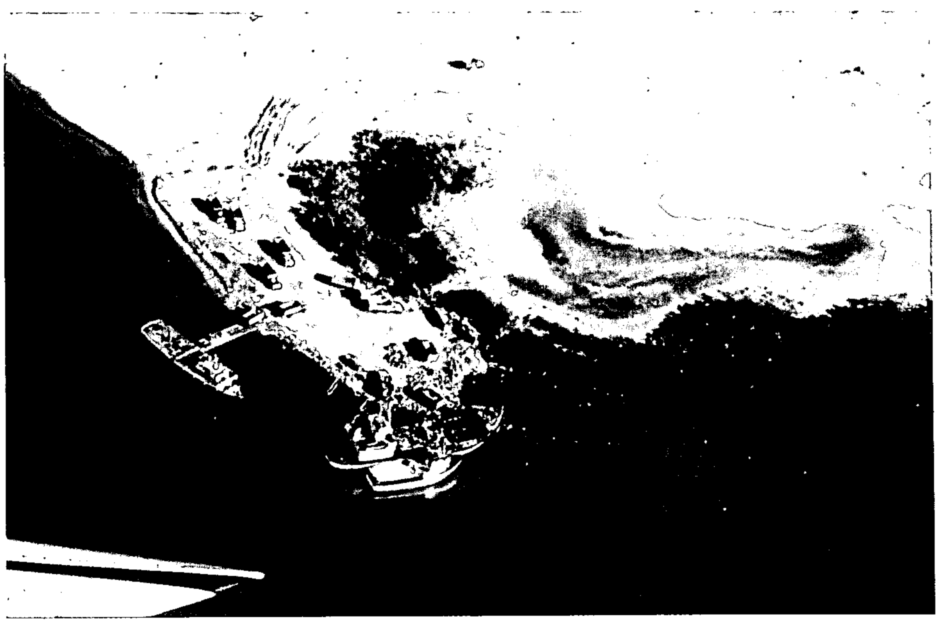
Figure 5. Mother ship loading, Portete Bay [redacted]



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Balance Sheet: Hypothetical Colombian Marijuana Exporter

The profits of Colombian marijuana exporters are enormous and vary on each transaction. For illustrative purposes, an exporter could expect to incur the following income and expenses from a 20-ton shipment of marijuana by using his own mother ship, employing a broker to gather the marijuana, and shipping five additional tons for a fellow exporter.

Thus, on a single transaction, an exporter, with outlays of $860,000, can gross over $2.7 million, clearing a net profit of nearly $2 million. A more vertically integrated organization would have substantially lower costs. More than likely, it would circumvent the broker and buy directly from the growers, thereby cutting costs by possibly $400,000. In addition, it probably would own the transport vehicles. The total cost estimate, therefore, probably errs on the high side, representing a worst case scenario for the supplier. Moreover, we may have conservatively estimated total income. For large-scale mother ship operations, then, the supplier's income to expense ratio is believed to be no less than 3:1. Eliminating the rural broker and selling at a higher price, say $75 per pound, raises the ratio to 6.5:1.

	US $	
Income		
Sale of 40,000 pounds to US buyers at $68 pound	2,720,000	
$0.35 per pound fee for 10,000 shipping pounds belonging to an associate trafficker	3,500	
Total		**2,723,500**
Expenses		
Purchase of 40,000 pounds of marijuana from rural broker at $16 per pound	640,000	
Rental of trucks and wages to drivers and guards to transfer marijuana to coastal stash sites	15,000	
Payment to guards and packers at stash site	8,000	
Wages for 40 loaders at $200 each	8,000	
Rental of 10 canoes at $300 each	3,000	
Enlistment of eight seamen at $1,000 each	8,000	
Vessel pilot	20,000	
Vessel navigator	80,000	
Bribes	70,000	
Fuel and provisions for a 20-day voyage	10,000	
Total		**862,000**
Net Profit		1,861,500
Ratio of income to expenses	3:1	

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US Customs Service, a sample of mother ships seized since 1979 ranged in value between $112,000 and $320,000, averaging $180,000. Thousands of dollars worth of electronic navigation and communications equipment were often the most valuable feature of these ships. Exporters who do not own mother ships can lease them from the organizations of fellow Colombians. A DEA source explained that one trafficker rented his ships for $50,000 per mission while another leased his for $7,500 but was required to leave a deposit equal to the value of the craft.

Alternatively, suppliers without boats can rent space in other traffickers' outward bound ships for, according to one source, 35 cents per pound of marijuana hauled. 25X1

A mother ship crew consists of several seamen, a pilot, a navigator, and sometimes an engineer. The seamen transfer the marijuana cargo, which can be more than a thousand bales, from the mother ship to the contact boat. DEA has learned that such operations have been

known to last all night and, in some cases, have been carried out over a series of nights. In addition, if the mother ship is slated to make deliveries to more than one organization, marijuana transfers must be repeated several times in the course of a voyage. Reported salaries for seamen range from little more than $100 per voyage to, on rare occasions, as much as $10,000. Many Colombians have made repeated smuggling trips, and it is probable that reliable, trustworthy, and experienced crewmen are paid in the higher range. Traffickers commonly pay crewmen part of their salary before the voyage and the balance upon their return to Colombia. According to some detained crewmen, their employers have promised them their full wage and a bonus if they refuse to cooperate with authorities if apprehended.

Pilots and navigators are paid much more handsomely than crewmen. Reported salaries for Colombian pilots range from $3,500 to $95,000 per voyage. Navigators always receive the highest salary, which in one DEA case was reported to be $150,000. Other reports show that navigators have been paid $50,000, $70,000, and $117,000 per run. These sizable outlays reflect the importance of a good pilot and navigator to the success of a mother ship operation. The history of the Colombian marijuana trade is replete with failures because the navigator could not locate the transfer site, arrived too late to meet contact boats, or was frightened away by perceived law enforcement authorities. One Colombian supplier stated outright that his smuggling odds improved when he used experienced non-Colombian navigators. A trafficker in Florida told undercover agents that many mother ships were captured because Colombian pilots panicked when they saw US Coast Guard patrols.

Bribery. A final expense to the exporters is bribery. Allegations of payoffs to Colombian authorities have surfaced in nearly all of DEA's most important Colombian marijuana investigations since 1978. Bribes of $50,000 or more per mission appear to be commonplace. If unanticipated difficulties arise with authorities, the payoffs can become even more severe. However, considering the potential earnings, these are attractive insurance premiums.

Balance Sheet: Hypothetical US Marijuana Importer

Estimating the average costs and profits of large US marijuana importers is difficult because of the great variation in methods and prices reported by DEA and other informants. Nevertheless, a hypothetical balance sheet for a 20-ton marijuana deal is constructed below. Although the importer must have a substantial amount of capital and the labor of 24 associates, the organizers of the operation make a net profit of nearly $6 million and, like their Colombian counterparts, their income is nearly triple their expenses.

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	US $	
Income		
Income from sale of 40,000 pounds to US wholesalers at $233 per pound		9,320,000
Expenses		
Purchase of marijuana from Colombian suppliers at $68 per pound	2,720,000	
Rental of offload site	10,000	
Rental of two contact boats with their pilots at $100,000 each	200,000	
Enlistment of two crewmen for each contact boat at $50,000 each	200,000	
Enlistment of 10 offloaders at $10,000 each	100,000	
Rental of three trucks and drivers at $8,000 each	24,000	
Rental of stash site	10,000	
Enlistment of five unloaders at stash site for $6,000 each	30,000	
Payoffs to local authorities	80,000	
Total Expenses		**3,374,000**
Net Profit		5,946,000
Ratio of income to expenses	3:1	

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The costs incurred for delivery and distribution operations can fluctuate depending on shipment volume as well as the place and mode of exchange. For example, purchase of the marijuana in Colombia at $40 per pound would allow the importer to lower the cost by more than $1 million. As a result, the ratio of income to expenses would increase by one-half, and net profit would increase by about 20 percent.

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Importers

Costs, operations, and profits vary markedly for importers, depending largely on whether the marijuana is shipped by boat or plane.

By Sea. An importer will gross nearly $9.5 million on a 20-ton shipment of Colombian marijuana smuggled into the southeast United States. The US trafficker must arrange contact boats and crews, select and secure offload sites, assemble offload crews, and line up trucks and drivers to begin distribution of the marijuana. The success of the operation depends on the coordinated efforts of all of these individuals, whose services do not come cheaply. Investigations by DEA during Operation Grouper revealed that importers were willing to pay as much as $40 per pound to anyone who could successfully arrange and complete an offload operation. (For 20 tons of marijuana this would mean an outlay of $1.6 million.) Some of these investigations revealed plans to import 50 or more tons of marijuana, representing a potential expense to the importers of $4 million. Yet at a $40 per pound rate, such expenses represent only 17 percent of the importers' gross income. With 29 percent of gross income earmarked to buy the marijuana, the importers retain 54 percent of their income as pure profit—a return on investment of approximately 115 percent.

With respect to mother ship operations, contact boats and crews are major expenses. In many cases the importers own their contact boats, but it is also common for them to recruit a trafficker to acquire them, select offload sites, and rendezvous with the mother ship. DEA files show that this has been especially common along the Georgia and Carolina coasts. For example, in the fall of 1979 a trafficker from Myrtle Beach, South Carolina, was allegedly paid $750,000 to arrange the importation of 14 tons of marijuana from a Colombian mother ship. In a recent DEA case, traffickers approached several boat owners in Fort Myers, Florida and offered them $150,000 each for the use of their shrimp boats and crews to offload a mother ship. The boat owners were to receive $45,000 in advance with the balance paid after the marijuana was successfully imported. Individual crewmembers aboard contact boats are also paid well. One DEA source who was extremely active in boat operations in the Gulf of Mexico through late 1980 confessed that crewmen received from $25,000 to $60,000 per mission plus one bale of marijuana worth about $12,000. Another informant said he had been offered $5,000 per trip with the prospect of making several trips per night. 25X1 25X1

Upon reaching the shore, the contact boats are unloaded quickly. On extremely large shipments two or three dozen unloaders have been used. A wide range of salaries have been paid to these people. Law enforcement authorities interrupted one operation in Florida where Mexican migrant workers were being paid $200 apiece as unloaders. A large and very active New Orleans organization that had been smuggling marijuana since the early 1970s reportedly paid its unloaders $1,000 each. A prominent Texas-based group offered a trusted associate $50,000 to help unload a shrimp boat and $150,000 to help with a larger vessel. Other DEA defendants claim they were paid $10,000 and $20,000 per boat. 25X1

Not all marine-borne marijuana is smuggled by Colombian mother ships. For several years, US traffickers have dispatched their own boats and crews to Colombia's north shore. Importers benefit from this arrangement because the marijuana will probably be less expensive in Colombia, problems with coordination are reduced, and the overall operation is streamlined. 25X1 However, they increase their chances of being caught by being longer at sea with the contraband. Since overhead investments are larger, they also risk potentially greater losses if calamity strikes on the way back to the United States. DEA files show that almost without exception, boat captains have been offered $100,000 to $250,000 to make this roundtrip, with a portion paid in advance. Skippers using their own craft probably try to get advance payments that are at least equal to the value of their boats. 25X1

By Air. Because smaller shipments are smuggled by air than by sea, airplane operations generate smaller net profits. Operating costs are less by air, however, and the risks are potentially fewer. Airplanes used in this trade are generally valued from $70,000 to $300,000, but they are not necessarily owned by the traffickers (figure 6). Federal investigations show that

Corruption: Another Business Expense

Marijuana traffickers often must ensure their operations through payoffs to police and local officials. A successful marijuana smuggling operation may require payoffs amounting to $150,000 for an average 20-ton shipment. A failed operation may require further payoffs to gain the release of crews, craft, and in some cases, the seized marijuana. [redacted]

Dozens of DEA informants have described marijuana operations in Colombia that succeeded largely because local officials cooperated with the principal suppliers within a framework of mutually agreed upon rules. An informant claimed, for example, that in June 1981 marijuana traffickers from throughout Colombia and corrupt Colombian National Police and Air Force officials planned to meet in Villavicencio. They needed to decide how to handle a reported surplus of marijuana consigned to them while they were already burdened with large unsold stocks. Among other considerations, they hoped to establish guidelines to avoid similar excess supply problems in the future. [redacted]

In addition to official protection, Colombian authorities often participate in loading operations. This has been an especially common allegation by Americans who have flown to Colombia for marijuana loads. A DEA informant reported that a Colorado organization had arranged to fly an aircraft to Colombia for a marijuana and cocaine shipment. The airplane was to be loaded in one hour with the assistance of local military forces who were to be paid a total of 25X1
$75,000. Another trafficker related how his effort to smuggle a DC-6 loaded with marijuana out of Colombia nearly failed when, at the last minute, the local military commander appeared on the scene and demanded a $50,000 payment. One large-volume Colombian marijuana supplier reported to DEA officials in Colombia that in 1980 he agreed to fly 11.5 tons of marijuana, at his expense, to a Florida trafficker who had bought the shipment for $92 per pound. Before leaving Colombia, however, the supplier had to make $79,000 worth of payoffs including: $18,900 to a Colombian Air Force officer in Villavicencio, $5,600 to what he described as Colombian Air Force intelligence personnel, $18,900 to authorities in the antinarcotics unit of the National Police, $5,600 25X1
to the controller of the Villavicencio airport, and $5,600 to other unspecified officials. [redacted] 25X1

Corruption: Another Business Expense (continued)

When protection breaks down and shipments readied for export are seized by Colombian authorities, influential north coast traffickers have been able to buy the marijuana back. For example, DEA learned in February 1980 that military authorities confiscated 80 tons of marijuana on the highway between Santa Marta and Riohacha. The owner of the shipment reportedly paid $2.8 million to have his marijuana released and to enlist the military's protection while loading it aboard mother ships. According to a DEA informant, the marijuana was subsequently shipped in three loads to Puerto Rico and the Bahamas. Another DEA informant reported a 1978 incident in which a marijuana-laden vessel was seized by Colombian authorities near Dibulla off the Guajira coast. This source alleged that the boat and cargo were released after about $130,000 in payoffs were made. [redacted]

Bribes are also necessary when operations fail in Colombia for one reason or another. A trafficker for a Georgia organization, for example, told DEA undercover investigators about a run his group made to Colombia for 1,200 to 1,500 pounds of marijuana. Upon arrival of their plane in Colombia, the flight crew was arrested and jailed for 30 days. They were released after a $100,000 payment allegedly was made to unspecified officials in Colombia. Another pilot told DEA that he had been detained in Colombia in the spring of 1979 while on a marijuana run and was released only after making a $200,000 "payoff bond." [redacted] 25X1

The chain of payoffs continues as the marijuana is smuggled north. Numerous officials in transit or transshipment countries, such as the Bahamas, are reportedly on the payrolls of the major trafficking organizations. South Caicos Island, which in recent years has been a favored refueling stop for drug-laden aircraft from Colombia, is typical of areas where corrupt officials have facilitated smuggling. According to DEA sources, individuals variously described as "customs agents" and "airport controllers" extract a fee to allow airplanes they know are on drug runs to refuel or to advise their pilots if the airport or their aircraft is under surveillance by authorities. One trafficking group reportedly bought these services for $10,000 per flight; another made payments of $25,000. [redacted] 25X1

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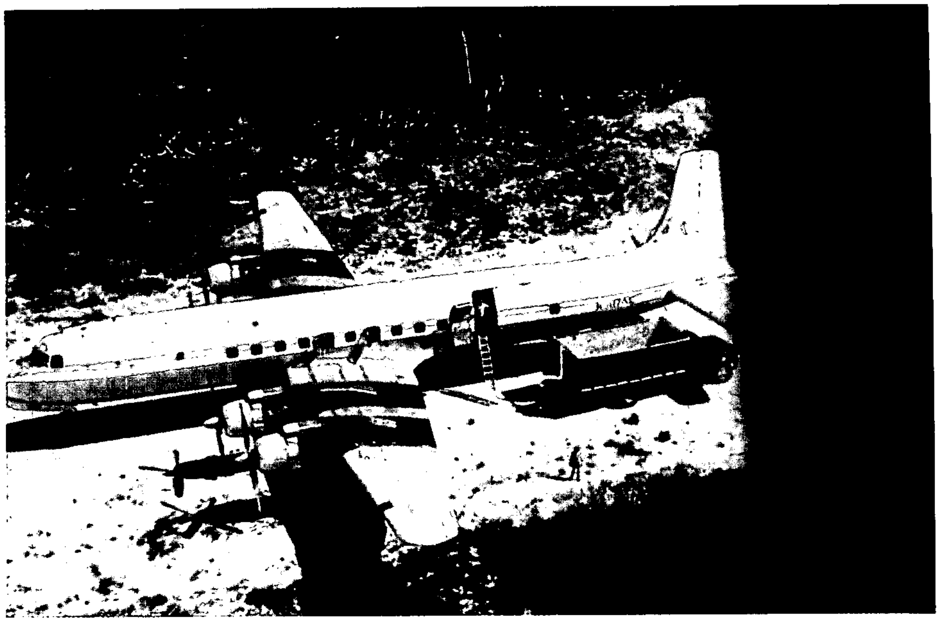
Figure 6. Airplane on clandestine airstrip, Guajira Peninsula [redacted]



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smugglers sometimes rent and often steal their aircraft. The fact that many planes are crashed, ditched, and abandoned in the United States testifies to their expendability. [redacted]

Flight crews are limited to pilots and copilots paid through a variety of arrangements. According to one pilot in a major DEA case, the trafficking organization offered him a choice of a straight salary of $100,000 per month or $15,000 per mission. Another source reported that pilots were paid $50,000 per flight, and a third informant volunteered that the organization's pilots earned $20 to $30 per pound of marijuana flown. Copilots generally are paid less. Ground crews tasked with unloading the aircraft are paid between $1,000 and $20,000 per person. Since most shipments are less than 4,000 pounds, offloading can be accomplished with relatively few laborers. [redacted]

Many smuggling flights return to privately controlled airstrips in rural regions of the southeast where their owners are paid generously for their cooperation. A group of north Georgia traffickers, for example, arranged offloads from DC-3 or larger aircraft for $150,000; for smaller aircraft the fee was $50,000. Their services included locating and securing the landing sites, offloading the airplane, and having local air traffic controllers inform on enforcement surveillance. [redacted] 25X1

25X1

Transfers Inland. Importers do not always bear the responsibility for distributing the marijuana. Many of them line up buyers around the nation who take possession of the shipment on arrival. In other instances, importers transport the marijuana from the offload site to nearby warehouses or farms. Sometimes, for an extra fee, importers will deliver the marijuana to buyers outside the area where it was imported. The wholesalers to whom it is sold then take over the remaining distribution responsibilities. Those importers involved with transporting the marijuana need vehicles and drivers. DEA reports show that drivers with their own trucks have been paid $9,000 to $15,000 to transport marijuana interstate for major organizations. Other drivers have agreed to rates between $1.50 and $5 per pound and, in rare cases, may have earned as much as $75,000 to $80,000 transporting portions of a single shipment. [redacted] 25X1

25X1

Bribery. Like their counterparts abroad, US smugglers protect their operations by bribing key authorities. Defendants in DEA investigations have recounted several incidents where payments by the importing organization have been made to authorities in transit countries as well as to local enforcement officers in the United States. The amounts charged have depended on the services rendered and the quantity smuggled and can easily amount to tens of thousands of dollars.

Profits and Credit Arrangements: The Key to Surviability

Colombian marijuana exporters and US importers are adept at minimizing the physical and financial risks to their operations. For example, importers at times arrange and man alternate offload sites that can be used in the event of confrontations with authorities. This clearly was the intent of a group of Florida-based smugglers who scheduled the importation of 25 tons of Colombian marijuana through South Carolina. According to DEA sources, the first five tons to be offloaded would ensure the success of the operation and would be delivered to a secondary, secret "drop site." The remaining 20 tons would then be smuggled into the primary site in Edisto County. The minimum success rate this organization was apparently willing to accept was 5 out of 25 tons.

Importers and exporters also cooperate to ensure large profits with a minimal financial exposure. DEA files contain much evidence that exporters will lower their selling price to importers willing to take delivery of the marijuana in Colombia. More importantly, exporters often extend credit or ship on consignment to major and trusted importing organizations. Typically, buyers will be required to advance a cash sum or a certain percentage of the value of the shipment as a downpayment. The importers agree to pay the balance to the suppliers or their representatives in Florida within a designated period after the shipment's safe delivery. As documented in several of DEA's major marijuana investigations, large trafficking organizations are not obligated to remit the outstanding balance if their shipment is seized, lost at sea, or otherwise not delivered. This shelters them from catastrophic financial losses, leaves them the opportunity to conduct future transactions, and binds them more closely to the Colombian suppliers. Meanwhile, the downpayment usually guarantees the exporter a small profit even if the shipment is lost. At worst, the exporter suffers only a minor financial setback that can be more than recouped by a subsequent success. 25X1

Credit arrangements vary. For instance, in preparing to fly 11,000 pounds of marijuana from Colombia to Pennsylvania in 1976, an importer investigated by DEA was required to deposit $50,000 in a Colombian trafficker's Florida bank account. In addition, the suppliers requested a hostage be left in Colombia until the deal was completed—not an uncommon practice. DEA investigation of a 15.5-ton marijuana seizure in North Carolina revealed that the marijuana was bought on consignment in Colombia for $60 per pound and a hostage was retained by the suppliers to ensure full payment. When Federal and local authorities broke up the offloading operation and confiscated the marijuana, a newspaper account of the seizure was sent to Colombia to gain the hostage's release. 25X1

The best established importing organizations frequently receive their orders on consignment, without even making a downpayment. In 1980, for example, DEA sources reported that a large New Orleans organization made arrangements for several 20- to 30-ton shipments to the Gulf coast with no money down. If interdicted or otherwise lost, a $200,000 deposit was required on a second shipment. One of the largest Colombian marijuana trafficking organizations operating in the western Gulf of Mexico in 1981 claimed multiton boat shipments were being supplied for $40 to $60 per pound with no money down. If the shipment was seized, however, the organization reportedly owed the suppliers $10 per pound. 25X1

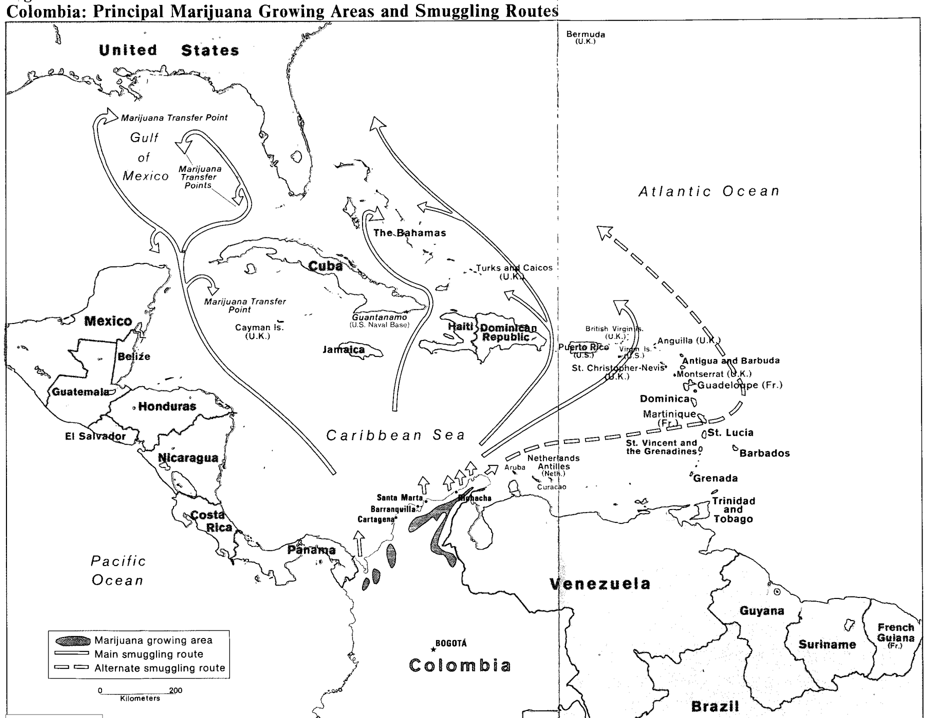
Implications for Interdiction

While DEA sources show great variations in prices, costs, smuggling methods, and payoffs—and we cannot be sure how close the average figures used in the examples in this paper are to the true figures—it is

nevertheless clear that the price structure, credits, and volumes smuggled generate high enough profits for both exporters and importers that they can absorb at least several failures for each successful smuggling operation. Although there are extensive manpower and capital costs in assembling and carrying out a major smuggling venture, these costs consume only 5 to 10 percent of the traffickers' gross profits from a single shipment. In a DEA investigation, for example, a Colombian trafficker told undercover agents he had delivered 27 tons of marijuana to Moors Island in the Bahamas where it was stolen before it could be delivered to the United States. He claimed that if he could recover and sell at least 5 tons (less than 20 percent of the initial load), he could still break even financially. This is consistent with a statement by another Colombian trafficker who, at the beginning of a major interdiction campaign, said authorities could seize four out of five of his shipments and he would still profit. [redacted] 25X1

Seizure statistics and National Narcotics Intelligence Consumers Committee estimates indicate that approximately 15 to 20 percent of the marijuana shipped from Colombia to the United States has been interdicted over the past four years. Based on the costs, prices, and profits outlined by the examples cited above, however, we believe that the interdiction rate would have to rise considerably—say to 70 percent or more of the volume shipped—before the expense of operating the large, well-organized marijuana trafficking organizations would exceed the profit made from the shipments that are not interdicted. Even then, however, the probable marked increase in the street price of the imported marijuana and the resultant lure of easy profits would prompt these organizations to select alternate routes and continue smuggling. [redacted] 25X1

Figure 7
Colombia: Principal Marijuana Growing Areas and Smuggling Routes



25X1